



JEFFERIES

What does it mean
to **build**?

2003 Annual Report



JEFFERIES

Building the leading investment bank serving middle-market companies and investors—led by one of the strongest capital markets trading platforms in the industry.

What does it mean to lead?

To lead is not being all things to all people or putting your own agenda ahead of others. It is best done by example, with a **unique vision** and **understanding** of the present and the future. It means **bringing more to clients** and sharing in their successes, as they share in yours.

To serve is never losing sight of what's most important—**the client**. It is **listening** and **understanding**. It is approaching each client as unique, with a different set of complex issues, recognizing challenges, anticipating issues, and assessing future ramifications of decisions. It is not promising what you can't deliver and it is doing what you say you are going to do.

What does it mean
to **serve**?

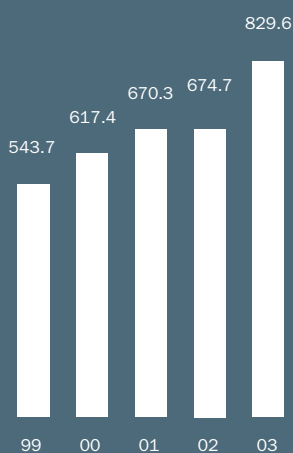
What is the middle market?

Less defined by the size or stature of a business than by the **unique values** and characteristics of its leaders—the middle market is a state of mind. It is a tremendous source of **economic growth** and vitality, full of dynamic, **thriving companies and investors** making critical decisions about their future.

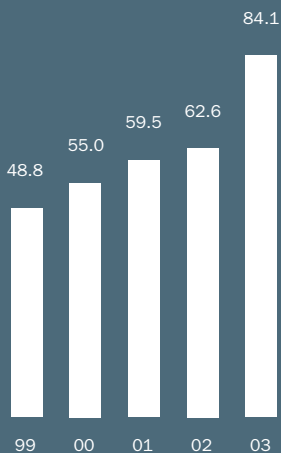
Financial Highlights

<i>(in millions, except per share amounts)</i>	<i>at or for the year ended December 31,</i>		
	2002	2003	Change
Total Revenues	\$ 754.8	\$ 926.7	+23%
Net Revenues	674.7	829.6	+23%
Operating Income	103.7	144.5	+39%
Net Earnings	62.6	84.1	+34%
Earnings Per Share (Diluted) ⁽¹⁾	1.14	1.42	+25%
Book Value Per Share ^{(1),(2)}	11.66	14.79	+27%
Stockholders' Equity	628.5	838.4	+33%
Closing Stock Price ⁽¹⁾	20.99	33.02	+57%

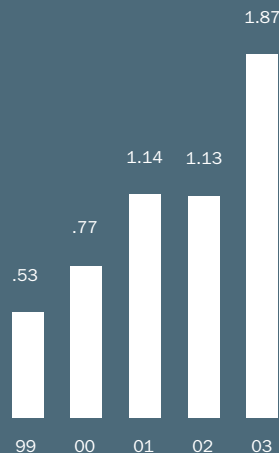
Net Revenues
(in millions)



Net Earnings⁽³⁾
(in millions)



Market Capitalization
(in billions)



⁽¹⁾ All per share information has been restated to retroactively reflect the effect of the two-for-one stock split declared by the Board of Directors on July 14, 2003 and effected as a stock dividend on August 15, 2003.

⁽²⁾ Approximately 90 percent of Book Value is tangible.

⁽³⁾ From Continuing Operations.

2003 – Year in Review

January

- Jefferies begins expensing stock options.
- Jefferies International Limited makes key additions to its International Equities and Swiss portfolio management groups.
- Jefferies establishes a dedicated Transaction Development Group in investment banking.
- *Marine Money* awards Jefferies 2002 Public Equity Deal of the Year Award.

February

- Jefferies makes key additions in Knowledge Services investment banking.

March

- *The Wall Street Journal* ranks Jefferies #5 among all public companies and #1 in Investment Services for 10-year stock performance.
- Jefferies makes key addition to Aerospace, Defense & Federal IT investment banking.

April

- Jefferies appoints high yield credit analyst in London.

May

- Moody's upgrades Jefferies' long-term credit rating from BAA3 to BAA2 and maintains "positive" outlook.
- Jefferies' healthcare analysts are named in *The Wall Street Journal* "2002 Best on the Street Analyst Survey/Master Stock Pickers" for Biotechnology and Software.

- Jefferies expands research coverage of IT Services, Specialty/Apparel Retail, Aerospace & Defense and European Technology.
- Jefferies enhances IT Services capabilities and establishes Capital Markets and Leveraged Finance groups in banking.

June

- Standard & Poor's Ratings Services revises Jefferies outlook from "stable" to "positive."
- Jefferies expands research coverage to the Media and Broadcast sectors.

July

- Jefferies announces 2-for-1 stock split, more than triples regular quarterly dividend, and files \$1 billion shelf registration.
- Jefferies significantly enhances asset management with two key hires.

August

- *The Deal* ranks Jefferies' investment bankers and restructuring practice third among all restructuring firms on Wall Street.
- Jefferies expands research coverage of the Healthcare and Software sectors, appoints Deputy General Counsel and significantly expands Private Client Services.

September

- Jefferies establishes a General Industrial Banking Group and launches research coverage of post-reorganization securities.

- *Turnarounds & Workouts* names seven Jefferies professionals "Outstanding Investment Bankers."

October

- Jefferies hires Associate Director of research and expands research coverage of Knowledge Services and European Biotechnology.

November

- *Mergers & Acquisitions Advisor* awards Jefferies' Samsonite transaction the U.S. Middle Market M&A Deal of the Year.
- Plexus Group names Jefferies the best execution firm of mid- and small-cap exchange-listed stocks.

December

- Jefferies achieves a fourth consecutive record year, with annual revenues of \$927 million, including a 64 percent increase in investment banking, and a market capitalization of nearly \$2 billion.
- Jefferies enters technology investment banking with acquisition of Broadview International.
- Jefferies is a top trader of Nasdaq and Bulletin Board Stocks and is a top middle-market M&A advisor and high yield underwriter.
- Standard & Poor's Ratings Services upgrades Jefferies long-term counterparty credit to BBB from BBB-




































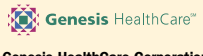





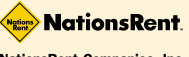



























Client Testimonials

Client testimonials may not be representative of the experience of other clients or indicative of future performance or success.

Forward-Looking Statements

This annual report contains statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may contain expectations regarding revenues, earnings, operations and other financial projections, and may include statements of future performance, positioning, plans and objectives. These forward-looking statements usually include the words "become," "continue," "intend," "may," "plan," "will" and other similar expressions. These forward-looking statements represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. Actual results could differ materially from those projected in these forward-looking statements. Please refer to our recent Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2004 and other filings we make with the Securities and Exchange Commission for a discussion of important factors that could cause actual results to differ materially from those projected in these forward-looking statements. We do not assume any obligation to update any forward-looking statement we make.




























In 2003, Jefferies* advised on, led or co-managed more than 150 transactions for our clients.

<p>December 2003 \$170,000,000</p>  <p>Advanced Lighting Technologies, Inc. Restructuring <i>Financial Advisor to the Official Committee of Unsecured Creditors</i></p>	<p>December 2003 \$125,000,000</p>  <p>Blue Ridge Paper Products, Inc. Senior Secured Notes Offering <i>Sole Manager</i></p>	<p>December 2003 \$85,000,000</p>  <p>Callon Petroleum Company Senior Notes Follow-On Offering <i>Financial Advisor to the Company</i></p>	<p>December 2003 \$300,000,000</p>  <p>DDI Corp. Restructuring <i>Financial Advisor to the Ad Hoc Committee of Convertible Noteholders</i></p>	<p>December 2003 \$110,000,000</p>  <p>El Pollo Loco, Inc. Senior Secured Notes Offering <i>Sole Manager</i></p>	<p>December 2003 \$42,400,000</p>  <p>Empire Electric Company, Inc. Follow-On Equity Offering <i>Co-Manager</i></p>	<p>December 2003</p>  <p>Good Guys, Inc. has been sold to CompUSA Inc. <i>Financial Advisor to the Seller</i></p>	<p>December 2003 \$25,000,000</p>  <p>Leucadia National Corporation Senior Notes Offering <i>Sole Manager</i></p>	<p>December 2003</p>  <p>IPITEK Defense and Aerospace Division a subsidiary of IPICOM, Inc. has divested certain assets to L-3 Communications Corporation <i>Financial Advisor to the Seller</i></p>	<p>December 2003</p>  <p>Medifacx-EDI, Inc. has been acquired by WebMD Corporation <i>Financial Advisor to the Seller</i></p>
<p>December 2003</p>  <p>Miltop Group, Inc. has been acquired by Vision Technologies Kinetics, Inc. a business unit of Singapore Technologies Engineering Ltd. <i>Financial Advisor to the Seller</i></p>	<p>December 2003 \$64,141,250</p>  <p>Modem Media, Inc. Follow-On Public Equity Offering <i>Lead Manager</i></p>	<p>December 2003 \$700,000,000</p>  <p>Phillip Services Corp. Restructuring <i>Financial Advisor to the Company</i></p>	<p>December 2003 \$580,000,000</p>  <p>Ship Finance International Limited Senior Notes Offering <i>Lead Manager</i></p>	<p>December 2003 \$100,000,000</p>  <p>Sweetheart Cup Co., Inc. Senior Secured Notes Offering <i>Sole Manager</i></p>	<p>December 2003 \$176,812,000</p>  <p>Universal Technical Institute Initial Public Offering <i>Co-Manager</i></p>	<p>November 2003 \$64,220,000</p>  <p>Allied Capital Corp. Follow-On Public Equity Offering <i>Sole Manager</i></p>	<p>November 2003 \$22,800,000</p>  <p>Amedisys, Inc. PIPE <i>Lead Placement Agent</i></p>	<p>November 2003 \$108,400,000</p>  <p>Big 5 Sporting Goods Corporation Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>November 2003 \$220,000,000</p>  <p>Dollar Financial Group, Inc. Senior Notes Offering <i>Co-Manager</i></p>
<p>November 2003 \$29,900,000</p>  <p>Education Lending Group, Inc. Follow-On Public Equity Offering <i>Lead Manager</i></p>	<p>November 2003 \$53,400,000</p>  <p>Energy Partners, Ltd. Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>November 2003 \$150,000,000</p>  <p>Holley Performance Products, Inc. Consent Solicitation <i>Financial Advisor to the Company</i></p>	<p>November 2003 \$160,000,000</p>  <p>IMAX Corporation Senior Notes Offering <i>Co-Manager</i></p>	<p>November 2003 \$230,000,000</p>  <p>Inveresk Research Group, Inc. Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>November 2003 \$38,000,000</p>  <p>ISTA Pharmaceuticals Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>November 2003 \$55,200,000</p>  <p>KCS Energy, Inc. Follow-On Public Equity Offering <i>Lead Manager</i></p>	<p>November 2003 \$51,750,000</p>  <p>Net2Phone, Inc. Follow-On Public Equity Offering <i>Joint Lead Manager</i></p>	<p>November 2003 \$600,000,000</p>  <p>Outsourcing Solutions Incorporated Restructuring <i>Financial Advisor to the Official Committee of Unsecured Creditors</i></p>	<p>November 2003 \$47,850,000</p>  <p>Primus Telecommunications Group, Inc. Private Placement <i>Sole Placement Agent</i></p>
<p>November 2003</p>  <p>Sierracin Harrison a division of Sierracin Corporation has been acquired by Stanley Aviation Corporation <i>Financial Advisor to the Seller</i></p>	<p>November 2003 \$136,040,000</p>  <p>Tabletop Holdings, Inc. Senior Subordinated Discount Notes <i>Co-Manager</i></p>	<p>November 2003 \$130,435,000</p> <p>Technology Investment Capital Corp. Initial Public Offering <i>Co-Manager</i></p>	<p>November 2003 €235,000,000</p>  <p>TVN Finance Corporation plc Senior Notes Offering <i>Joint Lead Manager</i></p>	<p>October 2003 \$175,000,000</p>  <p>B/E Aerospace Senior Notes Offering <i>Co-Manager</i></p>	<p>October 2003</p>  <p>Fidelity National Information Solutions, Inc. has been acquired by Fidelity National Financial, Inc. <i>Financial Advisor to the Special Committee of the Board of Directors of Fidelity National Information Solutions, Inc.</i></p>	<p>October 2003 \$225,000,000</p>  <p>Genesis HealthCare Corporation Senior Subordinated Notes Offering <i>Co-Manager</i></p>	<p>October 2003 \$202,400,000</p>  <p>GrafTech International Ltd. Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>October 2003 \$25,000,000</p>  <p>Leucadia National Corporation Senior Notes Offering <i>Sole Manager</i></p>	<p>October 2003 \$104,700,000</p>  <p>LKQ Corp. Initial Public Offering <i>Co-Manager</i></p>
<p>October 2003 \$47,212,290</p>  <p>MarineMax Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>October 2003 \$45,000,000</p>  <p>Mikohn Gaming Corporation Private Placement of Common Stock <i>Sole Placement Agent</i></p>	<p>October 2003 \$250,000,000</p>  <p>NationsRent Companies, Inc. Senior Secured Notes Offering <i>Lead Manager</i></p>	<p>October 2003 \$60,000,000</p>  <p>Oxford Automotive, Inc. Revolving Credit Facility <i>Financial Advisor to the Company</i></p>	<p>October 2003 \$298,391,483</p>  <p>Oxford Automotive, Inc., MatlinPatterson Global Opportunities Partners, L.P. Restructuring <i>Financial Advisor to the Company</i></p>	<p>October 2003 \$105,000,000</p>  <p>Phibro Animal Health Senior Secured Notes Offering <i>Sole Manager</i></p>	<p>October 2003 \$68,676,000</p>  <p>SFBC International, Inc. Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>October 2003</p>  <p>Spirian Technologies, Inc. has been acquired by SecureInfo Corporation <i>Financial Advisor to the Seller</i></p>	<p>October 2003 \$20,461,000</p>  <p>Syntroleum Corporation Follow-On Public Equity Offering <i>Sole Manager</i></p>	<p>October 2003 \$125,000,000</p>  <p>Telex Communications, Inc. Senior Secured Notes Offering <i>Sole Manager</i></p>
<p>October 2003 \$260,000,000</p>  <p>Universal Hospital Services, Inc. Senior Notes Offering <i>Co-Manager</i></p>	<p>October 2003</p>  <p>VISTA Information Technologies has divested certain assets to Avaya Inc. <i>Financial Advisor to the Seller</i></p>	<p>September 2003 \$233,126,340</p>  <p>Anteon International Corporation Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>September 2003 \$63,250,000</p>  <p>Encore Capital Group Follow-On Public Equity Offering <i>Lead Manager</i></p>	<p>September 2003 \$4,000,000</p>  <p>Epimmune, Inc. PIPE <i>Sole Manager</i></p>	<p>September 2003 \$62,500,000</p>  <p>Hollis-Eden Pharmaceuticals, Inc. Follow-On Public Equity Offering <i>Joint Lead Manager</i></p>	<p>September 2003 \$260,000,000</p>  <p>The Majestic Star Casino, LLC/The Majestic Star Casino Capital Corp. Senior Secured Notes Offering <i>Lead Manager</i></p>	<p>September 2003</p>  <p>Data1Source LLC a subsidiary of Numerex Corp. has been acquired by Wireless Services Corp. <i>Financial Advisor to the Seller</i></p>	<p>September 2003 \$48,000,000</p>  <p>SciClone Pharmaceuticals, Inc. Follow-On Public Equity Offering <i>Lead Manager</i></p>	<p>September 2003</p>  <p>StatusOne Health Systems has been acquired by American Healthways Inc. <i>Financial Advisor to the Seller</i></p>
<p>September 2003 \$82,800,000</p>  <p>XOMA Ltd. Follow-On Public Equity Offering <i>Co-Manager</i></p>	<p>August 2003 \$182,000,000</p>  <p>Alaska Communications Systems Holdings, Inc. Senior Notes Offering <i>Co-Manager</i></p>	<p>August 2003 \$99,000,000</p>  <p>Gladstone Commercial Corporation Initial Public Offering <i>Joint Lead Manager</i></p>	<p>August 2003 \$140,000,000</p>  <p>Haights Cross Operating Company Senior Notes Offering <i>Co-Manager</i></p>	<p>August 2003 \$59,340,000</p>  <p>Providence Service Corporation Initial Public Offering <i>Joint Lead Manager</i></p>	<p>August 2003 \$105,000,000</p>  <p>The Sheridan Group, Inc. Senior Secured Notes Offering <i>Sole Manager</i></p>	<p>August 2003</p>  <p>The Sheridan Group, Inc. has been acquired by Jefferies Capital Partners and Bruckman, Rosser, Sherrill & Co., LLC <i>Financial Advisor to the Buyer</i></p>	<p>August 2003</p>  <p>VT Controls Ltd a wholly owned subsidiary of VT Group has been acquired by Rolls Royce plc <i>Financial Advisor to the Seller</i></p>	<p>July 2003 \$70,980,000</p>  <p>Allied Capital Corporation Follow-On Public Equity Offering <i>Sole Manager</i></p>	<p>July 2003 \$200,000,000</p>  <p>Corrections Corporation of America Senior Notes Offering <i>Co-Manager</i></p>

*Includes Jefferies & Company, Inc., Quarterdeck Investment Partners, LLC and Jefferies/Quarterdeck, LLC

*Select Transactions of 2003

In 2003, Jefferies* advised on, led or co-managed more than 150 transactions for our clients.

<p>July 2003</p> <p>\$257,594,500</p>  <p>Endo Pharmaceuticals Holdings, Inc.</p> <p>Follow-On Public Equity Offering</p> <p>Co-Manager</p>	<p>July 2003</p> <p>\$125,000,000</p>  <p>Griffon Corporation</p> <p>Convertible Subordinated Notes Offering</p> <p>Co-Manager</p>	<p>July 2003</p>  <p>ITS Corporation Holdings, Inc. a newly-formed company organized by Riordan, Lewis & Haden has acquired ITS Corporation</p> <p>Financial Advisor to the Seller</p>	<p>July 2003</p> <p>\$380,000,000</p>  <p>Jacuzzi Brands, Inc.</p> <p>Senior Secured Notes Offering</p> <p>Co-Manager</p>	<p>July 2003</p> <p>\$75,500,000</p>  <p>MSX International</p> <p>Senior Secured Notes Offering</p> <p>Sole Manager</p>	<p>July 2003</p> <p>\$135,000,000</p>  <p>Orbital Sciences Corporation</p> <p>Senior Notes Offering</p> <p>Joint Lead Manager</p>	<p>July 2003</p>  <p>Radamec Defence Systems Limited a wholly owned subsidiary of Radamec Group plc has been acquired by Ultra Electronics Holdings plc</p> <p>Financial Advisor to the Seller</p>	<p>July 2003</p>  <p>Recoton Corporation has sold its subsidiaries Recoton Accessories, Inc. and Recoton Canada Ltd. to Thomson SA</p> <p>Financial Advisor to the Seller</p>	<p>July 2003</p>  <p>Recoton Corporation has sold its subsidiaries Recoton Audio Corporation and Recoton International to Audiovox Corporation</p> <p>Financial Advisor to the Seller</p>	<p>July 2003</p> <p>\$160,000,000</p>  <p>Samsonite Corporation</p> <p>Revolving Credit and Term Loan Facility</p> <p>Financial Advisor to the Company</p>
<p>July 2003</p> <p>\$807,500,000</p>  <p>Samsonite Corporation</p> <p>Recapitalization</p> <p>Financial Advisor to the Company</p>	<p>July 2003</p> <p>\$175,000,000</p>  <p>Select Medical Corporation</p> <p>Senior Subordinated Notes Offering</p> <p>Co-Manager</p>	<p>July 2003</p>  <p>Vanguard Animation, LLC has entered into a joint venture and sold equity and debt securities to Digital Production Solutions, a division of IDT Entertainment</p> <p>Financial Advisor and Placement Agent</p>	<p>July 2003</p>  <p>Zeborg, Inc. has divested certain assets to Xerox Corporation</p> <p>Financial Advisor to the Seller</p>	<p>June 2003</p> <p>\$175,000,000</p>  <p>Alaris Medical Inc.</p> <p>Senior Subordinated Notes Offering</p> <p>Co-Manager</p>	<p>June 2003</p>  <p>Boeing Corinth a subsidiary of The Boeing Company has been acquired by Labinal Incorporated a Snecoma Group Company</p> <p>Financial Advisor to the Seller</p>	<p>June 2003</p>  <p>BTI Telecom Corporation merged with ITC^DeltaCom, Inc.</p> <p>Financial Advisor to the Special Committee of the Board of Directors of BTI Telecom Corporation</p>	<p>June 2003</p>  <p>California Investment Fund, LLC has acquired National Service Industries, Inc.</p> <p>Delivered a Solvency Opinion to California Investment Fund, LLC</p>	<p>June 2003</p> <p>\$125,000,000</p>  <p>DigitalNet, Inc.</p> <p>Senior Notes Offering</p> <p>Co-Manager</p>	<p>June 2003</p>  <p>RoweCom, Inc. a business unit of divine, inc. has been acquired by EBSCO</p> <p>Financial Advisor to the Seller</p>
<p>June 2003</p>  <p>Esterline Technologies Corporation has acquired Weston Group a subsidiary of Roxboro Group plc</p> <p>Financial Advisor to the Buyer</p>	<p>June 2003</p>  <p>UCAR Composites, Inc. a subsidiary of GrafTech International, Ltd. has been acquired by Coast Composites, Inc. an affiliate of Hammond, Kennedy, Whitney & Co.</p> <p>Financial Advisor to the Seller</p>	<p>June 2003</p> <p>\$120,000,000</p>  <p>Maverick Tube Corporation</p> <p>Convertible Senior Subordinated Notes Offering</p> <p>Joint Lead Manager</p>	<p>June 2003</p> <p>\$130,000,000</p>  <p>McMoran Exploration Co.</p> <p>Convertible Senior Notes Offering</p> <p>Co-Manager</p>	<p>June 2003</p> <p>\$105,000,000</p>  <p>Morton's Restaurant Group, Inc. a Castle Harlan Partners III, L.P. Portfolio Company</p> <p>Senior Secured Notes Offering</p> <p>Sole Manager</p>	<p>June 2003</p> <p>\$160,000,000</p>  <p>New World Restaurant Group, Inc.</p> <p>Senior Secured Notes Offering</p> <p>Sole Manager</p>	<p>June 2003</p> <p>\$230,000,000</p>  <p>Offshore Logistics, Inc.</p> <p>Senior Notes Offering</p> <p>Co-Manager</p>	<p>June 2003</p>  <p>Panda Energy International, Inc. formation of a joint venture with Icahn Associates Corp.</p> <p>Financial Advisor to the Company</p>	<p>June 2003</p> <p>\$150,000,000</p>  <p>Psychiatric Solutions, Inc.</p> <p>Senior Subordinated Notes Offering</p> <p>Co-Manager</p>	<p>June 2003</p> <p>\$177,500,000</p>  <p>Nutritional Sourcing Corporation</p> <p>Restructuring</p> <p>Financial Advisor to the Official Committee of Unsecured Creditors</p>
<p>June 2003</p>  <p>Revox Entertainment Inc. sold a majority stake to Universal Multimedia SA</p> <p>Financial Advisor to the Seller</p>	<p>June 2003</p> <p>\$125,000,000</p>  <p>Southern Union Company</p> <p>Convertible Debt Offering</p> <p>Co-Manager</p>	<p>June 2003</p> <p>\$152,000,000</p>  <p>Southern Union Company</p> <p>Follow-On Public Equity Offering</p> <p>Co-Manager</p>	<p>May 2003</p>  <p>Aeromet, Inc. has been acquired by L-3 Communications Corporation</p> <p>Financial Advisor to the Seller</p>	<p>May 2003</p> <p>\$57,500,000</p> <p>ANTHRACITE</p> <p>Anthracite Capital, Inc.</p> <p>Cumulative Redeemable Preferred Stock Offering</p> <p>Co-Manager</p>	<p>May 2003</p> <p>\$250,000,000</p>  <p>Corrections Corporation of America</p> <p>Senior Notes Offering</p> <p>Co-Manager</p>	<p>May 2003</p> <p>\$59,495,000</p>  <p>Leslie's Poolmart Inc.</p> <p>Exchange Offer</p> <p>Financial Advisor to the Company</p>	<p>May 2003</p> <p>\$200,000,000</p>  <p>Leucadia National Corporation</p> <p>Senior Notes Offering</p> <p>Sole Manager</p>	<p>May 2003</p> <p>\$126,500,000</p>  <p>VistaCare, Inc.</p> <p>Follow-On Public Equity Offering</p> <p>Co-Manager</p>	<p>April 2003</p> <p>\$106,000,000</p>  <p>Barneys, Inc.</p> <p>Senior Secured Notes Offering</p> <p>Sole Manager</p>
<p>April 2003</p> <p>\$74,200,000</p>  <p>Energy Partners, Ltd.</p> <p>Follow-On Public Equity Offering</p> <p>Co-Manager</p>	<p>April 2003</p> <p>\$161,400,000</p> <p>Jackson Creek CDO, Ltd.</p> <p>Structured Financing Transaction</p> <p>Financial Advisor, Placement Agent, Initial Purchaser</p>	<p>April 2003</p> <p>\$71,000,000</p>  <p>QuadraMed Corporation</p> <p>Restructuring Advisory</p> <p>Financial Advisor to the Company</p>	<p>March 2003</p> <p>\$50,075,000</p>  <p>Allied Capital Corporation</p> <p>Follow-On Public Equity Offering</p> <p>Sole Manager</p>	<p>March 2003</p>  <p>Chesapeake Energy Corporation has purchased 5,333,333 primary shares of Pioneer Drilling Company at \$3.75 for a total consideration of \$20,000,000</p> <p>Sole Placement Agent</p>	<p>March 2003</p>  <p>Creative Technology Incorporated has been acquired by General Dynamics Corporation</p> <p>Financial Advisor to the Seller</p>	<p>March 2003</p>  <p>Hydrocarbon Capital LLC has acquired a portfolio of mezzanine oil and gas loans from Mirant Corporation with a face value of \$260,000,000</p> <p>Financial Advisor to the Buyer</p>	<p>March 2003</p>  <p>ManTech International Corporation has acquired MSM Security Services Incorporated</p> <p>Financial Advisor to the Buyer</p>	<p>March 2003</p> <p>\$80,000,000</p>  <p>Mission Resources Corporation</p> <p>Senior Secured Credit Facility</p> <p>Syndication Agent</p>	<p>March 2003</p> <p>\$130,000,000</p>  <p>MTR Gaming Group, Inc.</p> <p>Senior Notes Offering</p> <p>Lead Manager</p>
<p>March 2003</p> <p>\$50,000,000</p>  <p>Trump Casino Holdings, LLC</p> <p>Second Priority Mortgage Notes Offering</p> <p>Joint Lead Manager</p>	<p>March 2003</p> <p>\$425,000,000</p>  <p>Trump Casino Holdings, LLC</p> <p>First Priority Mortgage Notes Offering</p> <p>Joint Lead Manager</p>	<p>February 2003</p> <p>\$725,000,000</p>  <p>Crown European Holdings SA</p> <p>Third Priority Senior Secured Notes Offering</p> <p>Co-Manager</p>	<p>February 2003</p> <p>\$1,085,000,000</p>  <p>Crown European Holdings SA</p> <p>Second Priority Senior Secured Notes Offering</p> <p>Co-Manager</p>	<p>February 2003</p> <p>\$2,600,000,000</p>  <p>Crown Cork & Seal</p> <p>Recapitalization</p> <p>Financial Advisor to the Company</p>	<p>February 2003</p> <p>\$113,000,000</p>  <p>Evercom, Inc.</p> <p>Exchange Offer</p> <p>Financial Advisor to the Ad Hoc Committee of Noteholders</p>	<p>February 2003</p>  <p>ManTech International Corporation has acquired Integrated Data Systems Corporation</p> <p>Financial Advisor to the Buyer</p>	<p>February 2003</p>  <p>Norco, Inc. a subsidiary of TransTechnology Corporation has been acquired by Marathon Power Technologies Company a subsidiary of TransDigm Inc.</p> <p>Financial Advisor to the Seller</p>	<p>February 2003</p>  <p>NetSolve, Inc.</p> <p>Strategic Advisory</p> <p>Financial Advisor to the Company</p>	<p>February 2003</p> <p>\$77,000,000</p>  <p>Oil States International, Inc.</p> <p>Follow-On Public Equity Offering</p> <p>Co-Manager</p>
<p>February 2003</p> <p>\$123,200,000</p>  <p>The Old Evangeline Downs</p> <p>Senior Secured Notes Offering</p> <p>Sole Manager</p>	<p>January 2003</p> <p>\$54,200,000</p>  <p>Abraxas Petroleum Corporation</p> <p>Senior Notes Offering</p> <p>Sole Placement Agent</p>	<p>January 2003</p>  <p>Abraxas Petroleum Corporation exchange offer of 11.5% Senior Notes due 2004 for \$190,979,000 of 11.5% Senior Notes Offering due 2007, Cash and Abraxas Common Stock</p> <p>Financial Advisor to the Company</p>	<p>January 2003</p>  <p>Spokane Fabrication Operations a business unit of The Boeing Company has been acquired by Triumph Group Incorporated</p> <p>Financial Advisor to the Seller</p>	<p>January 2003</p> <p>\$150,000,000</p>  <p>Central Garden & Pet Company</p> <p>Senior Subordinated Notes Offering</p> <p>Co-Manager</p>	<p>January 2003</p>  <p>Conestoga Wireless Company has been acquired by Keystone Wireless, LLC</p> <p>Financial Advisor to the Seller</p>	<p>January 2003</p> <p>C\$2,066,780,403</p>  <p>Microcell Telecommunications Inc.</p> <p>Restructuring</p> <p>Financial Advisor to the Ad Hoc Committee of Bondholders</p>	<p>January 2003</p>  <p>Primus Telecommunications Group, Inc.</p> <p>Financial Advisor</p>	<p>January 2003</p>  <p>Recoton Corporation has sold its GameShark brand name and website to Mad Catz Interactive, Inc.</p> <p>Financial Advisor to the Seller</p>	<p>January 2003</p> <p>\$176,300,000</p>  <p>VCA Antech, Inc.</p> <p>Follow-On Public Equity Offering</p> <p>Co-Manager</p>

*Includes Jefferies & Company, Inc., Quarterdeck Investment Partners, LLC and Jefferies/Quarterdeck, LLC

*Select Transactions of 2003

6. **Management Letter to Shareholders**

The year 2003 began with declining equity indices and moderate trading and capital markets activity. As geopolitical concerns lessened and the strength of the recovery became more evident, conditions steadily improved throughout the year, culminating with significant increases in market indices, a pickup in trading volumes, a rebound in M&A activity, and corporate issuance at its highest level since 2000. Having positioned ourselves for future growth during the past few challenging years, Jefferies began to witness the rewards of our strategy, performing well throughout the year and achieving the best results in our history.

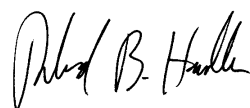
We are proud to announce our fourth consecutive year of record earnings. Earnings per share (diluted) were up 25 percent to a record \$1.42. Net earnings were up 34 percent to a record \$84 million. Earnings before income taxes and minority interest were up 39 percent to a record \$145 million. Total revenues were up 23 percent to a record \$927 million. Investment banking net revenues were up 64 percent to a record \$230 million. In addition, both Moody's and Standard & Poor's upgraded their credit ratings of Jefferies during the year. With these accomplishments, we have outstanding momentum going into 2004.

Improving capital markets and our diversification efforts, combined with hard work and a growing client base, all contributed to our outstanding performance. We have meaningfully diversified our business mix over the past few years to better serve middle-market clients with a more complete offering of products and services. Jefferies has significantly expanded many businesses, added several new ones, and now has more than 1,600 motivated employees, nearly all of whom are shareholders, serving the needs of our clients. Highlights for 2003 included significantly enhancing our asset management business and dramatically expanding our focus on middle-market technology and growth companies with the acquisition of Broadview International, a leading M&A advisor to technology companies.

To be a leading investment bank serving middle-market, growth companies and their investors, we will continue to foster a team-oriented approach and build meaningful relationships. We will also strive to keep our organization flat and flexible as we invest in additional human capital and contain costs at every level. Relationships, teamwork and integrity are the foundation on which we continue to build.

Four consecutive record years are truly a tribute to the loyalty of our clients and the determination of our employee-shareholders. We still see plenty of opportunity. Our team, from the support staff to the front line, is motivated, focused and committed to building on our success to date, and we believe this is only a glimpse of what we can accomplish.

As always, we are extremely appreciative of the continued support of our shareholders and clients.



Richard B. Handler
Chairman of the Board of Directors
and Chief Executive Officer



John C. Shaw, Jr.
Director, President and
Chief Operating Officer

Q & A

While the economic environment improved for everyone over the course of 2003, to what else do you attribute Jefferies' success this past year?

Rich: A few years ago, we made a commitment to invest heavily in our platform for the long term, as well as do our best to achieve solid results each quarter. By refusing to sacrifice one for the other, we set a very high bar for everyone at the firm. Granted, the environment in the latter half of 2003 helped a bit, but the reality is we've been able to diversify our business in a very meaningful way. The breadth of capital markets and advisory transactions that we completed in 2003 is vastly better than our output just a few years ago, and we achieved record results.

John: When you focus outward, trying to serve clients by getting the trade or banking transaction done, results happen. They happen in bad environments and they happen in good environments.

A great deal of Jefferies' revenue comes from what you call middle-market clients. What is the middle market, why has Jefferies chosen to focus on it, and is such a focus limiting?

Rich: Everyone defines it differently, but we consider companies with a market cap of \$2.5 billion or below to be middle-market. It's an arbitrary cutoff, but these companies generally have a more entrepreneurial management team, the capital markets are not as accessible to them, and the other full-service investment banks generally don't provide much research coverage of them.



(left) **Richard B. Handler**
Chairman of the Board of Directors and Chief Executive Officer
(right) **John C. Shaw, Jr.**
Director, President and Chief Operating Officer

In other words, middle-market companies have a lot of needs that Jefferies can serve. We enjoy working with these companies. We enjoy researching and trading their stocks because they are generally the faster-growing companies. The middle market is an exciting sector where we feel we can contribute and grow our market share across the board, rather than prioritizing league tables or being in the bulge bracket. That's not to say we can't or won't do a deal for a large-cap company, but our forte is middle-market transactions.

John: It's the middle-market client who needs the most tailored service and where we feel we can add the most value. Our core competency has always been trading middle-market stocks and bonds, and we have leveraged that capability in building our platform. We understand these companies, because we are ourselves a middle-market company. We fully understand the problems that growing companies face in raising capital, getting recognition on the Street, etc. We've been there, we are there, and we want to grow with our clients.

8. **What do middle-market clients want, and how is Jefferies structured to deliver service to them?**

Rich: Middle-market companies need an investment bank that can provide all the services they need to grow their company. They want a partner they can trust. They don't want to have to go to different firms for a high yield deal or an equity deal or an M&A deal—they want a full-service platform that has their best interests in mind. That's why we have diversified to the extent that we have, and we have focused on building relationships. This business is cyclical, trends come and go, and at the end of the day, it comes down to relationships.

John: They want quality ideas, senior-level attention and the "A-team" that pitched them to be the team to execute their transaction. Ethics, trust, and a company that represents their brand well. They need follow-through, post-transaction support, and the right fit for their company. We can provide all of that.

How is Jefferies different from competitors? What makes it possible for you to serve your clients well?

Rich: There are a number of things that distinguish Jefferies, including our flat organizational structure, variable cost model, and transparent management style, which includes our weekly management review meeting open to all employees. All of the people leading our firm are active players/coaches. Everyone has a day job in addition to their management position, overseeing the day-to-day activities of each division. The result is senior-level attention on all transactions, and an "in-this-together" mentality within and among divisions.

I think having an understandable and variable compensation package and encouraging employee ownership also differentiates us. Understanding and owning a piece of the firm and feeling like you can make a difference is very empowering, as opposed to being at a large firm, where no matter what you do, it's not going to move the dial. If you have ambition and talent, you can move the dial here.

John: Other investment banks don't have the tremendous trading operation that we have at Jefferies. We have quite possibly the longest tenured equity, high yield and convertible desks in the marketplace...and virtually no turnover. The longevity of our people and the consistency here is extremely important in knowing and serving our clients.

Integrity on the Street has undergone a great deal of scrutiny in the past few years. What does integrity mean to you and what practices have you put in place to ensure the integrity of your firm?



Rich: Relationships and integrity go hand in hand. You can't have business relationships or retain good people without integrity and trust. You have to be honest, fair and direct. Granted we can be hard-nosed businesspeople, but when clients do business with us, they know we are in it for the long term and not just for a transaction. We pride ourselves on our relationships, but in reality, the backbone of every relationship is the deep-seated integrity that built those relationships in the first place, through good times and bad times.



John: We take legal and compliance matters very seriously, and recognize that it takes very little to bring an entire company down these days. We are not going

to let that happen. Much of our own wealth, and the wealth of the employees of this company, is in the form of Jefferies stock. We have more at stake than anyone.

What is Jefferies' greatest challenge?

Rich: Getting the mandate is always the challenge. Once we get a mandate, there is no doubt in our minds that we are as good or better than anybody else, and that the client will be satisfied with our performance and engage us again. Much of our business comes from repeat clients because they know what we are capable of doing. We are building these relationships one at a time, which is hard work, but worth every minute of it. More and more each day, it gets easier. We are working with clients who understand us and recognize what we can do for them. Word of mouth is occurring and we are gaining traction.

John: To continue to change perceptions. It always amazes me how few people realize what we can do. I think this is due in part to the fact that we didn't focus on just one or two areas but have really tried to build multiple verticals. We've diversified across industries and products over a very long period of time to build a full-service middle-market investment bank, which does not happen overnight.

9.

What's next for Jefferies?

Rich: This platform is in the very early stages of becoming what it can be, and the Broadview acquisition is a perfect example of that. We have room to grow in all areas of the firm and remain committed to doing so. We will continue to find add-on groups, and we plan to have a much more significant asset management business. We will stay with the things that have contributed to our solid performance, including a conservative balance sheet, not unduly risking the firm's capital in any one area, keeping book value as tangible as possible, and avoiding significant off-balance sheet obligations. This platform is now home to more than 1,600 people, and it's our duty to make sure it is responsibly managed, and growing.

John: Our goal is to be the investment bank of choice for companies doing transactions in the middle market and to be seen as a trusted partner and strategic advisor that can deliver the capital markets to our clients. The building blocks are primarily in place, and we plan to further align our business units to address the specific needs of our clients and exercise the tremendous market power of our platform on their behalf. We want top-tier banking and asset management practices while maintaining our standing as a top trader and providing must-read research—with unsurpassed client service and attention across the board.

12. **Business Review**

After several challenging years, the capital markets improved steadily over the course of 2003, ending on a positive note for Jefferies and our clients. We continued to gain momentum, focusing on the prudent growth, diversification and integration of our investment banking, sales & trading, research and asset management divisions—resulting in a fourth consecutive year of record net revenues and net earnings, and an optimistic outlook for 2004.

INVESTMENT BANKING

The capital markets were again open to transactions of all types in the second half of 2003, after a prolonged period of generally unfavorable market conditions. The convertible and high yield markets were strong throughout most of the year, while the equity market began to open up after Labor Day. Merger and acquisition activity similarly gained momentum as the year unfolded, while restructuring activity remained high. As a result, Jefferies advised on, led or co-managed more than 150 transactions for our clients. In 2003, our product and industry groups worked together more than ever

to leverage our extensive trading platform to best meet client objectives—completing an unprecedented number of transactions and record net revenues of nearly \$230 million, up 64 percent from 2002. Including our year-end acquisition of Broadview International, LLC, we nearly doubled our investment banking team during the year. We made key additions in several industries of focus and formed dedicated Transaction Development, Leveraged Finance, and Capital Markets Origination groups.

Equity & Equity-Linked Though off to a difficult start, Jefferies brought more IPOs, follow-on offerings and private placements to market and raised more equity and equity-linked capital for our clients in 2003 than in any other year—completing the bulk of offerings in the fourth quarter. More than \$3 billion was raised for nearly 40 clients to support future growth and initiatives. Highlights included lead-managing offerings for Net2Phone, Primus and SciClone Pharmaceuticals, among others, as well as a series of financings for Allied Capital. Our equity capital markets team worked closely with our expanded equity-linked origination group to leverage the firm’s extensive middle-market relationships and expand capital-raising opportunities. The result was a focused, coordinated effort that more fully leveraged our convertible execution capabilities and further integrated our banking and trading

13.

“The recapitalization of Samsonite was an extremely lengthy and complicated deal. The perseverance and focus of Jefferies’ investment banking team was an important part of its ultimate success.”

Luc Van Nevel, CEO, Samsonite Corporation

“As the head of a special board committee representing a sizable public transaction you have to ensure that you work with credible and reliable bankers. Jefferies did a phenomenal job. They provided invaluable guidance in a most timely manner, which is critical in executing a fair and equitable transaction.”

Earl Gallegos, Chairman, Special Committee for FNIS/Fidelity National

“We have been using Jefferies as one of our top-tier brokers for over 10 years. Their ability to access liquidity in a difficult, fragmented marketplace has been a big help to our overall effort in seeking best execution for our clients across any market capitalization and products.”

Bart O’Connor, Managing Director, Cadence Capital Management Corporation

“Jefferies’ talented professionals have repeatedly demonstrated excellent execution and work very hard for our business. They are among the more honorable, most ethical, and least bureaucratic firms on Wall Street. They deliver what they promise and live up to what they say.”

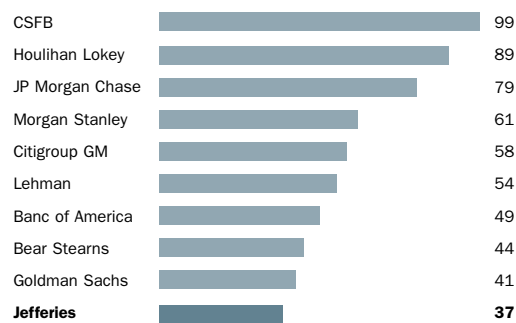
John W. (“Jay”) Jordan, II, Chairman and CEO, Jordan Industries, Inc.



14.

Top 10 Middle-Market M&A Advisors

Firm – No. of Transactions



Ranking based on number of announced U.S. transactions valued under \$500 million for 2003 (Mergerstat)

Top 5 Restructuring Firms

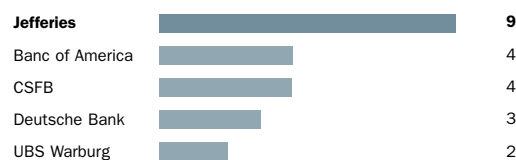
Firm – No. of Cases



Includes all debtor, creditor and other assignments within active bankruptcy cases. (*The Deal*, November 30, 2003. All cases active as of Oct. 31, 2003)

Top 5 Middle-Market High Yield Underwriters

Firm – No. of Transactions



Single B issues under \$150 million in 2003, excludes split rated, mortgage and asset-backed securities, and follow-ons. Full credit to lead bookrunning manager, equal if joint bookrunning (Securities Data Corporation)

divisions to the benefit of our clients. Convertible offerings completed included Southern Union Company, Griffon Corporation, Maverick Tube Corporation, and McMoRan Exploration Company.

Leveraged & Structured Finance Driven by historically high levels of capital inflow, the high yield market improved dramatically in 2003. Taking advantage of the strong high yield new issue environment, we completed more than 40 high yield debt offerings for clients. Jefferies’ creative approach to structure, superior execution, substantial capital base and integrated, one-firm approach maximized value to our issuers and institutional relationships.

Highlights for 2003 included lead- or sole-managing offerings for Ship Finance International, Sweetheart Cup, Leucadia National, NationsRent Companies, Majestic Star Casino, Morton’s Restaurant Group, and Barneys, among others. While successfully demonstrating our powerful distribution capabilities to manage several large offerings, Jefferies also maintained its market leadership in high yield new issues under \$150 million, particularly for companies issuing high yield debt for the first time.

Working closely with Jefferies’ industry banking groups and high yield trading desk to identify and execute transactions, our Structured Finance Group provides advisory and placement services to our clients with



“Jefferies distinguishes itself by a remarkable work ethic as compared to other firms, seamless coordination among its professionals in corporate finance, high yield, syndicate, bank debt, restructuring, and sales & trading, superior due diligence and modeling skills, and great transaction leadership.”
David Matlin, CEO, MatlinPatterson Global Advisers LLC

“Jefferies Quarterdeck provided outstanding support throughout the IPO process, adding significant value to our acquisition strategy and plans. Their knowledge of the defense/intelligence market, combined with valuable financing experience and capabilities, have contributed greatly to our success.”
George J. Pedersen, Chairman, CEO and President, ManTech International Corporation



“As a mid-sized hedge fund, we are always impressed by the level of attention and service we receive from Jefferies. Their execution capabilities are as good if not better than the best on the Street, particularly with illiquid or difficult to move stocks, and they have only improved over the years.”
Ned Sadaka, President, Para Advisors, Inc.

“Jefferies completed our transaction exactly according to plan. EDLG needed to get a transaction done within a certain time constraint and directed at a very specific audience. They excelled at both. On all counts we were successful in the follow-on offering we executed.”
Robert deRose, Chairman, CEO of Education Lending Group, Inc.

“Jefferies’ sales traders are extremely attentive and always accessible. They know us better than other brokers, know how we like to do things and their execution is outstanding. When we need to get a trade done, we go to Jefferies.”
Eric Lewis, Managing Director & Director of Trading, Sandler Capital Management

“Encore enjoyed a 15-fold or \$300 million increase in market value during 2003, helped in no small part by the success of the follow-on public offering lead-managed by Jefferies.”
Carl Gregory, CEO, Encore Capital

regard to their asset securitization needs. A notable achievement of 2003 was the closing of the \$200 million Jackson Creek CDO, which is managed by Jefferies’ asset management staff together with David L. Babson & Company, Inc., and is invested in a diversified portfolio of high yield bonds—one of the few deals completed in this sector during the year.

Mergers & Acquisitions The year 2003 witnessed significant improvement in the overall U.S. M&A market, as strategic acquirers and private equity investors sought to create value through M&A transactions. Jefferies was at the forefront of this resurgence, representing over 40 M&A clients. In its first full year with a dedicated M&A practice, Jefferies was ranked by Mergerstat among the Top 10 middle-market M&A advisors based on the number of transactions under \$500 million.

An example of Jefferies’ increasing presence in middle-market M&A was the \$807.5 million recapitalization of Samsonite Corporation, which *The Mergers & Acquisitions Advisor* magazine awarded the 2003 Middle Market M&A Deal of the Year. Jefferies also acted as financial advisor on a number of other important transactions announced in 2003, including the acquisition of Warner Music and sale of the Sweetheart Cup Company. For clients in the technology sector,

Jefferies’ year-end acquisition of Broadview International LLC, one of the world’s leading M&A firms focused on the technology industry, fortified Jefferies’ position as a leading M&A advisory firm to the technology and related sectors. Combined, Broadview and Jefferies would have ranked in the Top 4 of middle-market M&A advisors based on the number of transactions under \$500 million, according to Mergerstat. In addition, Quarterdeck Investment Partners, LLC, the aerospace, defense and federal IT investment banking group of Jefferies and a leading middle-market M&A advisor, continued its leadership in that sector, advising Boeing and ManTech Corporation, among others.

Recapitalization & Restructuring For distressed companies and their creditors, Jefferies’ expert financial advice and unique capital markets abilities were once again critical in maximizing value for clients. The firm ranked third among U.S. restructuring advisors by *The Deal* based on the number of active cases in October 2003. Jefferies’ dedication to identifying, crafting and executing the right solution while addressing the needs of our clients with the highest level of integrity and confidentiality resulted in the restructuring of more than \$9 billion in liabilities for our clients and an exchange offer acceptance ratio of approximately 99 percent. From distressed asset sales and plan negotiations to exchange offers, financing-driven recapitalizations and consent solicitations,



“Jefferies delivered us a financing that many of their competitors said couldn’t be done. They exceeded our most optimistic expectations regarding timing and price. Their execution was flawless and we felt as though we were Jefferies’ only customer.”
Richard Lozuniak, CEO, Blue Ridge Paper Products

“Throughout our relationship of more than seven years, senior management of Jefferies Asset Management Ltd. has always provided us with a unique service, delivered with outstanding professionalism.”
Daniel Gloor, Head of Asset Management, Canton of Zurich, Switzerland

Jefferies’ full-service offering was a key component to such noteworthy transactions as Exide Technologies, Federal-Mogul Corporation, Formica Corporation, HealthSouth Corporation, and Tower Records (MTS, Inc.).

SALES & TRADING

Institutional trading business picked up speed in the second quarter of 2003 and improved over the course of the year. With the addition of key groups and enhanced capabilities, Jefferies maintained its leadership as a top trader of equity, high yield and convertible securities, with an increased emphasis on our industries of focus.

Equity Jefferies’ institutional clients executed nearly 15 billion shares (not including Bulletin Board) in 2003—an average of nearly 60 million shares per trading day, despite a fragmented marketplace characterized by decreased liquidity and transparency. Jefferies ranked fourth among investment banks as a Top 5 trader of nearly 2,000 Nasdaq and Bulletin Board stocks, and first based on share volume, according to AutEx®. Jefferies’ NYSE brokerage affiliate, Helfant Group, Inc., accounted for over 10 percent of the average daily reported volume of the NYSE, trading nearly 37 billion shares in 2003. We expanded our international efforts with the addition of an experienced equity market making team in foreign securities. Jefferies established a Bulletin Board trading desk specializing in distressed equities, subsequently becoming a leader in this space. In addition to these successes, we continued to trade the stocks of more than 8,500 companies, increasing our market making capabilities to nearly 3,000 stocks—up 30 percent—including more than 300 ADRs and 100 international stocks traded on London’s SEAQ exchange. In addition, we further aligned our expanding research efforts with our trading platform, including a transition to sector-based OTC trading and additional

Top 10

Firm – No. of Stocks Traded

Goldman Sachs	5202
Raymond James	2212
Morgan Stanley	2144
Jefferies	1981
Merrill Lynch	1872
CSFB	1503
UBS Warburg	1168
Smith Barney	739
SG Cowen	692
JP Morgan	401

Ranking among investment banks as a Top 5 Trader of nearly 2,000 Nasdaq NNM, SCM and advertised OTCBB stocks (AutEx® BLOCKDATA 2003)

Top 5

Firm – No. of Shares Traded (in billions)

Jefferies	64.1
Goldman Sachs	34.9
Smith Barney	31.5
Morgan Stanley	31.3
Merrill Lynch	29.0

Ranking among investment banks based on Nasdaq NNM, SCM and advertised OTCBB combined share volume (AutEx® BLOCKDATA 2003)



“The two words that I would use to describe Jefferies are professional and straightforward. The firm gets things done when needed. It is one of the few firms that an institutional investor must use to execute.”
Sam Shapiro, President, Shapiro Capital Management

“Jefferies Quarterdeck’s insight into the value drivers of our industry and their ability to pre-qualify strategic acquirers proved invaluable in making our transaction a success.”
Bill Geiger, President and Chief Executive Officer, Aegis Research Corporation

“During 2003, Jefferies co-managed a highly successful \$130 million convertible debt transaction for our company which was strategically important to us. Their strong E&P industry expertise and execution capabilities combined with an in-depth understanding of our company’s opportunities were key factors in completing this transaction successfully.”
Richard Adkerson, Co-Chairman, McMoRan Exploration

“When placing an order with Jefferies, all of us at Graycort Financial have the reassurance that our order is being executed with our interests in mind and this has given us the confidence to further strengthen our relationship with Jefferies. They consistently provide outstanding professional service and execution.”
Rick Bianchina, Managing Member, Graycort Financial

research sales professionals. In 2004, we look forward to the further integration of our trading units as they work closely with our other business units, and we will continue to expand according to client needs.

High Yield The year 2003 began with an active distressed market, high default rates and a weak underwriting environment. In the second quarter, liquidity improved, defaults abated and the new issue market for high yield recovered, resulting in a surge of activity from our customers. Focusing on originating and placing new high yield issues, we traded more than \$20 billion face value in securities and experienced an increase in revenues of approximately 39 percent.

Convertibles In a much-improved trading environment, with increased volume and issuance, our 350 institutional clients bought and sold more than \$14 billion face value in bonds in 2003. We expanded our trading and distribution capabilities by adding key personnel to our West Coast operations and appointing a dedicated senior capital markets professional, strengthening our commitment to support our banking activities in the convertible markets, and assisting with a number of complex convertible debt offerings. For 2004, we will continue to focus on providing

the most unique solutions, building lasting relationships, expanding our trading and distribution capabilities, and maximizing our convertible research efforts to the benefit of our clients.

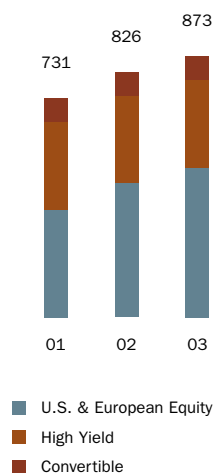
RESEARCH

With an improving economy and increased investing activity, Jefferies’ clients sought long and short-term investing opportunities from our top-notch equity, high yield and convertible research teams. In 2003, we continued to significantly expand our research effort to better suit the interests of our institutional investor client base, adding sectors and analysts to increase and upgrade both the breadth and depth of our coverage.

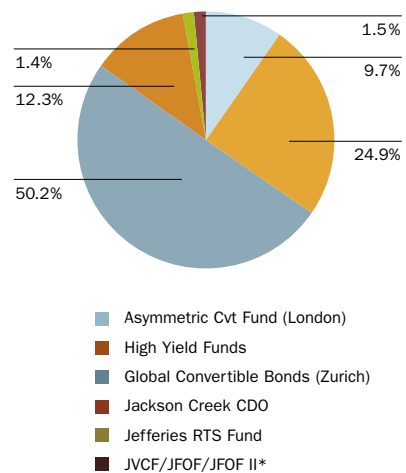
U.S. & European Equity Assisting institutional investors in making important investment decisions, Jefferies’ Equity Research significantly expanded the number of U.S. companies covered by the firm during 2003, now exceeding 400, in addition to nearly 80 European companies. As many firms retrenched due to the economic and regulatory climate, we continued to strategically build our Equity Research Department. We enhanced our existing areas of coverage and made key hires in aerospace & defense, European biotechnology and technology, healthcare, IT services, knowledge

22.

Companies Under Research Coverage



Assets Under Management



services, media, software, specialty/apparel retail, and a new area of post-reorganization securities. We also continued to focus on the consumer, energy, financial services, gaming, government IT, industrial and telecom sectors. We believe that strong, credible, independent research is of extreme importance to our institutional clients. We plan to continue expanding coverage in healthcare, particularly in life sciences, and the industrial sector, while building a strong effort in technology research during 2004.

High Yield Research Jefferies’ high yield research continued to generate investment ideas for our institutional investors and the firm’s capital. We strengthened our outstanding distressed and special situations research effort in 2003 with the addition of an analyst focused solely on post-reorganization securities. Our analysts maintain high-quality client relationships by providing in-depth and relative value analysis in a variety of market conditions and across the credit spectrum. Jefferies employs one of the largest and most experienced high yield research staffs on Wall Street, covering approximately 300 companies in the aerospace, consumer products, energy, food, gaming, healthcare, homebuilding, industrial and telecom industries.

Convertible Research Instrumental in assisting trading clients, Jefferies’ convertible research focuses on identifying both undervalued and overvalued securities while covering most companies issuing convertibles. Our convertible research correctly emphasized higher yielding names in early 2003 that benefited from an improving economy. With interest rates low, many securities were trading with spreads, which aggressively contracted as the year progressed. As rates began to rise, our focus expanded to highlight pricing discrepancies within the convertible universe. Our focus list incorporates key fundamental data about the



“I was extremely impressed by the level of commitment and high quality service that we received from Jefferies in the complex restructuring of Exide. Their efforts were instrumental in winning a tough valuation battle, increasing the value of the company and achieving the best results for all parties involved.”
Jeffrey Dobbs, Managing Director,
Turnberry Capital Management, LP

“For more than a decade now, Jefferies’ focused sales traders have kept Robeco’s investment professionals informed of daily market developments and transaction flows, supporting our trading decisions and assisting us in getting optimal value for our clients.”
Dr. Marnix C. Vriezen, Chief Investment Officer,
Robeco Asset Management, Rotterdam, The Netherlands



* Jefferies Venture Capital Fund I, LLC, Jefferies Employees Fund of Funds, LLC, Jefferies Employees Fund of Funds II, LLC

24. underlying issuer with quarterly financials updated on a continuous basis. Clients, particularly those in the hedge fund industry, use this list actively for idea generation.

ASSET MANAGEMENT

In 2003, Jefferies' asset management business continued to grow and diversify, increasing assets under management by 40 percent and revenues over 40 percent across a broader product offering. Our historic efforts in high yield and global convertible investing performed well in 2003, and our focus remains on finding long-term growth for our investors. At year end, assets under management totaled over \$1.6 billion. We expect to grow this amount significantly in 2004 and beyond.

Jefferies Asset Management In the third quarter of 2003, Jefferies hired two key individuals as co-presidents of Jefferies Asset Management. They have assumed responsibility for the continued growth, development and reorganization of our U.S. asset management activities begun in 2003, with an emphasis on expanding our offerings of performance-based asset management products.

25. They also have determined to continue the development of a hedge fund that concentrates on the retailing sector and has achieved excellent results since its launch in March 2003.

Jefferies' first in-house managed Collateralized Debt Obligation (CDO), managed by Jefferies' asset management staff together with David L. Babson & Company, Inc., closed in April 2003 with \$200 million in high yield bonds under management. With the subsequent sharp upturn in the credit markets, the CDO has performed exceptionally well.

High Yield Investors in Jefferies' high yield funds experienced another solid year with significant returns. As of year end, the funds had over \$400 million in net assets and over \$600 million in available capital. Our high yield asset management platform focuses on three areas: traditional high yield, distressed, and special situations. This approach, coupled with an ability to participate in DIP and bridge lending, as well as bank debt trading and investing, has proven flexible enough to adapt to and remain profitable in all market environments.

"Jefferies' performance as lead underwriter was outstanding. The collaboration of investment banking, capital markets and institutional sales resulted in a successful execution. The Jefferies team displayed a keen knowledge of our company and our industry, and we were extremely pleased with Jefferies' professional service, focus and dedication."
Lawrence Cohen, CEO, Capital Senior Living

"Jefferies Quarterdeck serves its clients well through an understanding of defense technology, company opportunities, market trends and deal dynamics."
Frank Lanza, Chairman and CEO, L-3 Communications

"We were very pleased with Jefferies' efforts on our behalf. Our bankers were top notch and very knowledgeable about the market and our business. The transaction was completed very quickly and the execution was superb. We were very satisfied with the outcome."
John Lowber, CFO, GCI, Inc.

"Partnering with the Jefferies Convertible desk brings you a hard working, idea-oriented team. A team focused on developing long-term relationships with customers and helping clients achieve their objectives, while performing highly competitive executions."
Michael Boyd, Chairman, Forest Investment Management





“Jefferies upholds its tradition of capital market expertise by continually adding to its broad execution and transaction platform to help clients increase investment performance by reducing transaction costs.”

Richard C. Butler, Chief Investment Officer, Miami Corp.

“The Jefferies team helped our company advance our strategic initiatives by advising us on a challenging merger transaction. Their dedication, perseverance and industry knowledge were key components in our ability to successfully execute the deal. They have played a vital role in our efforts to grow our business.”

**Thomas Morell, Chief Financial Officer,
D&E Communications, Inc.**

“Jefferies’ ability to provide a wide range of services was proven again recently in a perfectly timed private equity transaction. They consistently bring value to our relationship through accurate, timely and often unique market and industry information. Their fundamental knowledge of the Gulf of Mexico E&P industry segment is always provocative and well reasoned.”

Tracy W. Krohn, CEO and Founder, W&T Offshore, Inc.

“We value Jefferies’ international convertible team for its innovative ideas and ability to source liquidity.”

**Michael Hintze, CEO and Chief Investment Officer,
CQS Management**

Asset Management Overseas Our Zurich-based asset management subsidiary is a pioneer in long only, global convertible bond asset management and one of the largest specialists in this field. Assets under management rose from \$730 million to \$813 million in 2003. The balance of the growth in assets came from new segregated mandates and inflows into the Luxembourg incorporated mutual fund. In March 2003 our newly incorporated U.K. asset management subsidiary acquired the advisory contract for the Asymmetric Convertible Fund and entered into a strategic partnership with the original principals. Since the acquisition, the fund has seen its net asset value grow from \$29 million to well over \$150 million.

INTERNATIONAL

Jefferies’ international business was up in 2003, with revenues increasing 14 percent to more than \$85 million, building on the 20 percent revenue growth the previous year. Profitability sharply improved as cost-cutting measures implemented in 2002 impacted the bottom line while business was strong. Much of the growth came from the international convertible sales and trading operation, where a client-oriented approach differentiated Jefferies in a challenging year for convertible bond

trading strategies. Similarly, our business in Japan accelerated as global investors rediscovered Japan. We were also pleased to make our debut in the European capital markets, acting as a co-lead manager of a €235 million high yield bond offering for the Polish media group TVN. We continued to broaden our European equity trading and research platform, adding a U.K. market making team specializing in small and mid-cap (SEAQ) equities and trading over 150 names. Initiatives for 2004 include continued expansion of asset management, increased focus on capital markets, and a continued build out of our European research and sales platform.

ADDITIONAL SERVICES

Private Client Services High net worth individuals, middle-market companies and their senior executives, and smaller institutions were better served in 2003 with the additions of a corporate cash management team, several key middle-market fixed income professionals, and the hiring of one of the largest-producing private client teams on Wall Street. With an expanded client base and increased capabilities, private client revenues increased fivefold and our sales force doubled.

28. **Securities Lending** In 2003, we expanded our Securities Lending financing abilities in excess of \$1 billion, and borrowed securities grew more than 40 percent to over \$7 billion. With access to over \$1 trillion of domestic and foreign securities, we were once again able to assist clients with their portfolio hedging strategies and financing needs.

Correspondent Clearing Providing quality customer service and efficient processing to broker-dealers seeking a flexible platform, we offer execution and clearing in nearly 40 countries, and processed more than 125,000 trades per day in 2003, with total shares averaging over 110 million daily.

Prime Brokerage Members of the professional investment community, including hedge funds, money managers and registered investment advisors, enjoyed increased functionality and access to our state-of-the-art operations network to support their growing businesses in 2003, as we continued to provide customized solutions according to clients' trading, operations, administration and technology requirements.

Bonds Direct In 2003, institutional clients of Bonds Direct increased their average daily number of traditional and electronic trades by 66 percent and 200 percent, respectively, and more than doubled the average daily par amount of securities traded. In December, Bonds Direct acquired the fixed income trading business of Future Share Financial LLC, a subsidiary of Mellon Bank, and significantly expanded our client base and trading volume as a result.

The year 2003 served to demonstrate the depth and breadth of Jefferies' capabilities and to reinforce the strength and efficacy of our business model. We continued to diversify and refine our offerings, solidify and enhance our platform, and work together to achieve optimal results for our clients. We have once again proven our adaptability in fluctuating markets. As with every year, our clients have been key to our success, and we look forward to serving them in 2004.

"Jefferies High Yield Department was instrumental in providing BARNEYS NY with \$85 million of long-term capital needed as part of a balance sheet refinancing. Their outstanding execution capability, willingness to provide substantial capital and creativity resulted in a "win-win" for BARNEYS NY and investors."

Douglas P. Teitelbaum, Director & Co-Controlling Shareholder, Barneys NY; Managing Partner, Bay Harbour Management LC

"Jefferies' performance was exceptional during the preparation and management of our successful secondary offering. In a difficult year for bio-tech secondaries, Jefferies found the right window of opportunity and targeted the correct institutions."

Don Sellers, CEO, SciClone Pharmaceuticals, Inc.

"While Jefferies has emerged as a full-service investment bank, their roots remain in trading. Whether it is equities or fixed income, electronic or program trading, they continue to serve the institutional investment community as one of its premier trading partners."

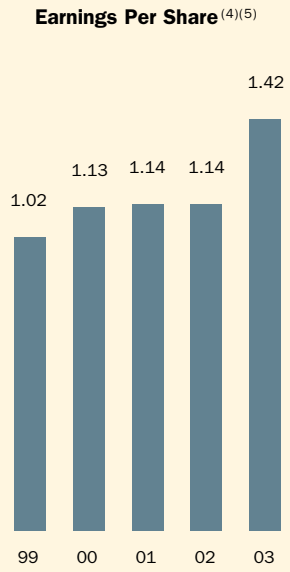
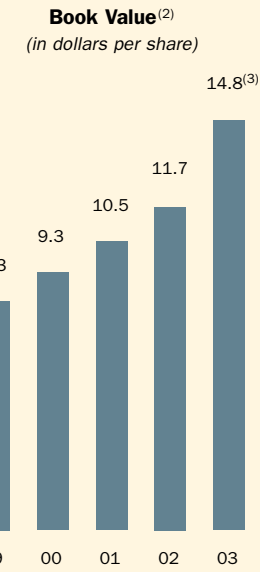
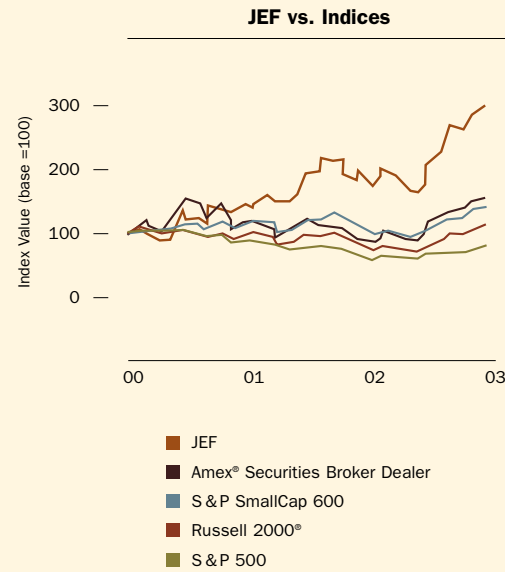
Keith Ringberg, Director of Equities, Sentry Investment Management

"There is a hole in the marketplace where the Four Horsemen have gone. Jefferies has a chance to fill it. They've always had great trading and great distribution. Now they've got the whole puzzle."

Sandy Robertson, Founder, Robertson Stephens



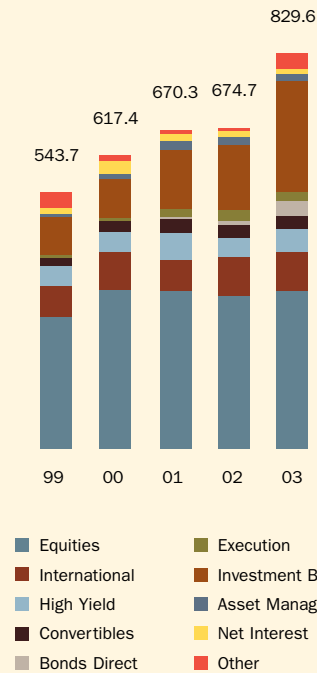
30. **Financial Overview**



31.

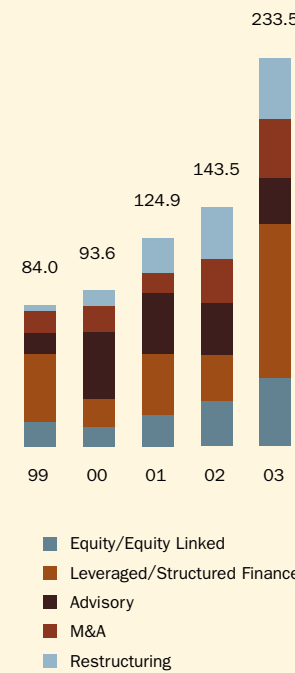
Diversified Net Revenue⁽¹⁾

(in millions)

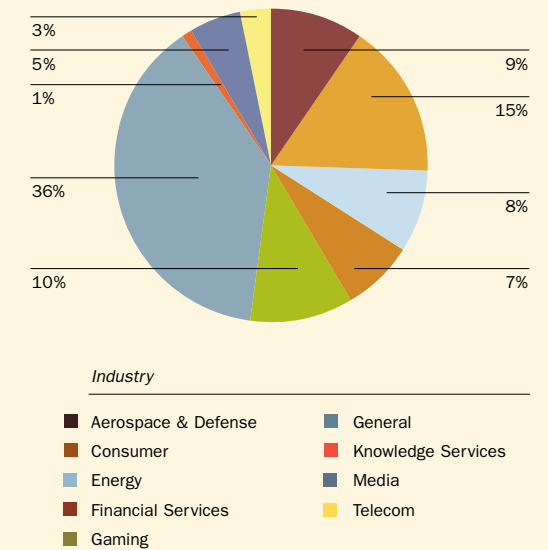


Investment Banking Total Revenues By Product

(in millions)



Investment Banking Revenues By Industry



(1) Includes commission and principal transaction revenues. (2) Adjusted for stock splits. (3) Approximately 90 percent of Book Value is tangible.

(4) All per share information has been restated to retroactively reflect the effect of the two-for-one stock split declared by the Board of Directors on July 14, 2003 and effected as a stock dividend on August 15, 2003.

(5) From Continuing Operations.

32. **Condensed Consolidated Statements of Earnings**

(In Thousands, Except Per Share Amounts)	Year Ended December 31,		
	2003	2002	2001
Revenues:			
Commissions	\$ 250,191	\$ 268,984	\$ 233,860
Principal transactions	316,800	235,281	273,736
Investment banking	229,608	139,828	124,099
Interest	102,403	92,027	131,408
Asset management	17,268	12,026	17,687
Other	10,446	6,630	4,201
Total revenues	926,716	754,776	784,991
Interest expense	97,102	80,087	114,709
Revenues, net of interest expense	829,614	674,689	670,282
Non-interest expenses:			
Compensation and benefits	474,709	385,585	400,159
Floor brokerage and clearing fees	48,217	54,681	47,451
Technology and communications	58,581	52,216	44,583
Occupancy and equipment rental	32,534	26,156	22,916
Business development	26,481	22,973	21,349
Other	44,559	29,386	31,172
Total non-interest expenses	685,081	570,997	567,630
Earnings before income taxes and minority interest	144,533	103,692	102,652
Income taxes	52,851	41,121	43,113
Earnings before minority interest	91,682	62,571	59,539
Minority interest	7,631	-	-
Net earnings	\$ 84,051	\$ 62,571	\$ 59,539
Earnings per share of Common Stock:*			
Basic	\$ 1.58	\$ 1.27	\$ 1.21
Diluted	\$ 1.42	\$ 1.14	\$ 1.14
Weighted average shares of Common Stock:*			
Basic	53,090	49,232	49,225
Diluted	59,266	55,020	52,263

33. **Condensed Consolidated Statements of Financial Condition**

(In Thousands, Except Per Share Amounts)	Year Ended December 31,		
	2003	2002	2001
Assets			
Cash and cash equivalents	\$ 107,876	\$ 39,948	\$ 188,106
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	182,641	288,576	154,989
Securities borrowed	8,368,357	5,119,352	3,886,918
Receivable from brokers, dealers and clearing organizations	292,603	102,371	177,708
Receivable from customers	283,591	206,329	136,605
Securities owned	908,876	508,723	385,634
Investments	428,939	334,361	168,863
Premises and equipment	54,513	49,355	48,436
Goodwill	100,596	55,472	34,756
Other assets	264,291	194,204	162,722
	<u>\$ 10,992,283</u>	<u>\$ 6,898,691</u>	<u>\$ 5,344,737</u>
Liabilities and Stockholders' Equity			
Bank loans	\$ -	\$ 12,000	\$ 50,000
Securities loaned	8,086,583	4,738,938	3,838,999
Payable to brokers, dealers and clearing organizations	113,349	109,077	46,843
Payable to customers	490,697	481,346	313,207
Securities sold, not yet purchased	673,222	239,285	150,146
Accrued expenses and other liabilities	296,993	236,922	226,089
	9,660,844	5,817,568	4,625,284
Long-term debt	443,148	452,606	153,797
Minority interest	49,920	-	-
	<u>10,153,912</u>	<u>6,270,174</u>	<u>4,779,081</u>
Stockholders' Equity:			
Preferred stock	-	-	-
Common stock	6	3	3
Additional paid-in capital	364,774	226,787	159,018
Retained earnings	567,632	496,418	439,195
Less:			
Treasury stock	(91,908)	(90,817)	(27,856)
Currency translation adjustments	5,331	1,895	(2,403)
Additional minimum pension liability	(7,464)	(5,769)	(2,301)
Net stockholders' equity	838,371	628,517	565,656
	<u>\$ 10,992,283</u>	<u>\$ 6,898,691</u>	<u>\$ 5,344,737</u>

* All share and per share information has been restated to retroactively reflect the effect of the two-for-one stock split declared by the Board of Directors on July 14, 2003 and effected as a stock dividend on August 15, 2003.

34. **Selected Quarterly Data (Unaudited)**

<i>(In Thousands, Except Per Share and Percentage Data)</i>	March	June	September	December	Year
2003					
Earnings Statement Data					
Revenues	\$ 185,299	\$ 230,209	\$ 221,947	\$ 289,261	\$ 926,716
Interest expense	21,050	31,378	21,117	23,557	97,102
Revenues, net of interest expense	164,249	198,831	200,830	265,704	829,614
Non-interest expenses	140,992	166,529	164,690	212,870	685,081
Earnings before income taxes and minority interest	23,257	32,302	36,140	52,834	144,533
Income taxes	9,072	11,640	12,906	19,233	52,851
Minority interest	—	1,924	2,702	3,005	7,631
Net earnings	\$ 14,185	\$ 18,738	\$ 20,532	\$ 30,596	\$ 84,051
Earnings per share of Common Stock:*					
Basic**	\$ 0.27	\$ 0.36	\$ 0.38	\$ 0.57	\$ 1.58
Diluted	\$ 0.25	\$ 0.32	\$ 0.35	\$ 0.50	\$ 1.42
Weighted average shares of Common Stock:*					
Basic	52,054	52,608	53,534	54,113	53,090
Diluted	57,124	58,077	59,502	61,039	59,266
Other Selected Data					
Total assets	\$ 9,333,741	\$ 9,267,129	\$ 10,687,895	\$ 10,992,283	\$ 10,992,283
Long term debt	\$ 451,068	\$ 459,645	\$ 445,411	\$ 443,148	\$ 443,148
Total stockholders' equity	\$ 660,387	\$ 683,315	\$ 716,301	\$ 838,371	\$ 838,371
Book value per share of Common Stock*	\$ 11.98	\$ 12.39	\$ 12.69	\$ 14.79	\$ 14.79
Common stock shares outstanding*	55,136	55,142	56,425	56,702	56,702
Annualized return on equity	8.8%	11.2%	11.8%	16.2%	12.1%
2002					
Earnings Statement Data					
Revenues	\$ 195,342	\$ 200,877	\$ 179,151	\$ 179,406	\$ 754,776
Interest expense	17,598	22,748	20,242	19,499	80,087
Revenues, net of interest expense	177,744	178,129	158,909	159,907	674,689
Non-interest expenses	147,780	148,232	139,595	135,390	570,997
Earnings before income taxes	29,964	29,897	19,314	24,517	103,692
Income taxes	12,292	12,282	7,532	9,015	41,121
Net earnings	\$ 17,672	\$ 17,615	\$ 11,782	\$ 15,502	\$ 62,571
Earnings per share of Common Stock:*					
Basic	\$ 0.36	\$ 0.36	\$ 0.24	\$ 0.32	\$ 1.27
Diluted	\$ 0.32	\$ 0.32	\$ 0.21	\$ 0.28	\$ 1.14
Weighted average shares of Common Stock:*					
Basic	49,532	49,251	49,291	48,878	49,232
Diluted	54,759	54,873	55,237	55,236	55,020
Other Selected Data					
Total assets	\$ 5,905,707	\$ 5,090,024	\$ 6,453,994	\$ 6,898,691	\$ 6,898,691
Long term debt	\$ 469,366	\$ 433,391	\$ 449,055	\$ 452,606	\$ 452,606
Total stockholders' equity	\$ 571,342	\$ 593,424	\$ 608,811	\$ 628,517	\$ 628,517
Book value per share of Common Stock*	\$ 10.67	\$ 11.02	\$ 11.32	\$ 11.66	\$ 11.66
Common stock shares outstanding*	53,548	53,861	53,790	53,904	53,904
Annualized return on equity	12.5%	12.1%	7.9%	10.2%	10.7%

* All share and per share information has been restated to retroactively reflect the effect of the two-for-one stock split declared by the Board of Directors on July 14, 2003 and effected as a stock dividend on August 15, 2003.

** March, June and September 2003 quarters have been modified to reflect a computational change. They were previously reported as \$0.28, \$0.37, \$0.41 respectively.

Independent Auditors' Report

35.

The Board of Directors and Stockholders
Jefferies Group, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial condition of Jefferies Group, Inc. and subsidiaries as of December 31, 2003, 2002 and 2001 and the related consolidated statements of earnings, changes in stockholders' equity and comprehensive income (loss) and cash flows for each of the years in the three-year period ended December 31, 2003 (not presented herein); and in our reports dated January 20, 2004, January 20, 2003, and January 14, 2002, we expressed unqualified opinions on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



Los Angeles, California

January 20, 2004

36. **Jefferies Group, Inc. Board of Directors & Jefferies & Company, Inc. Executive Committee**



Richard B. Handler (42)
13 years with Jefferies
Chairman of the Board, CEO
Jefferies Group, Inc. and
Jefferies & Company, Inc.
Director,
Executive Committee Member



John C. Shaw, Jr. (57)
20 years with Jefferies
President, COO
Jefferies Group, Inc. and
Jefferies & Company, Inc.
Director,
Executive Committee Member



W. Patrick Campbell (58) ⁽¹⁾⁽²⁾⁽³⁾
4 years on Board
Independent Consultant
Director



Richard G. Dooley (74) ⁽¹⁾⁽²⁾⁽³⁾
10 years with Jefferies
Retired Chief Investment
Officer, Massachusetts
Mutual Life Insurance Company
Director



Frank J. Macchiarola (62) ⁽¹⁾⁽²⁾⁽³⁾
12 years on Board
President, St. Francis College
Director



Jonathan R. Cunningham (41)
17 years with Jefferies
Head of Convertible Securities, EVP
Jefferies & Company, Inc.
Executive Committee Member



Lloyd H. Feller (61)
1 year with Jefferies
General Counsel, Secretary, EVP
Jefferies Group, Inc. and
Jefferies & Company, Inc.
Executive Committee Member



Brian P. Friedman (48)
2 years with Jefferies
Jefferies & Company, Inc.
Chairman of the
Executive Committee



Scott W. Jones (47)
22 years with Jefferies
Head of Equities, EVP
Jefferies & Company, Inc.
Executive Committee Member



Chris M. Kanoff (47)
12 years with Jefferies
Co-Head, Investment Banking, EVP
Jefferies & Company, Inc.
Executive Committee Member



Joseph A. Schenk (45)
10 years with Jefferies
Chief Financial Officer
Jefferies Group, Inc.
Executive Vice President
Jefferies & Company, Inc.
Executive Committee Member



Clifford A. Siegel (46)
13 years with Jefferies
Chief Executive Officer
Jefferies International Limited
Executive Vice President
Jefferies & Company, Inc.
Executive Committee Member



Andrew R. Whittaker (42)
13 years with Jefferies
Vice Chairman, Co-Head
Investment Banking
Jefferies & Company, Inc.
Executive Committee Member

⁽¹⁾ Member of Audit Committee
⁽²⁾ Member of Compensation Committee
⁽³⁾ Member of Corporate Governance and Nominating Committee

Management's Discussion of Financial Responsibility

Management of the Company is responsible for preparing the consolidated financial statements and related notes. The consolidated financial statements and related notes are prepared in accordance with generally accepted accounting principles in the United States of America. Other financial data included in this report are consistent with those in the financial statements and related notes.

Management recognizes the importance of safeguarding the Company's assets and integrity.

Therefore, Management devotes considerable attention to understanding the risks of its businesses, promoting the highest standards of ethical conduct, exercising responsible stewardship over the Company's assets, and presenting fair financial statements.

The Company regularly reviews its framework of internal controls, taking into account changing circumstances. Corrective actions are taken to address control deficiencies, and other opportunities for improvement are implemented when cost effective.

The framework of internal control includes policies, procedures, and organizational structures that are overseen by the Audit Committee of the Board of Directors. The Audit Committee, which consists of three independent directors, reviews the annual Consolidated Financial Statements with management and the Company's independent auditors. The Audit Committee is also responsible for the appointment and reviews the performance, independence and fees of the independent auditors and the professional services they provide. The Audit Committee also oversees the Company's system of internal accounting controls and the internal audit function.

Oversight is provided by independent units within the Company, working together to maintain the Company's internal control standards.

The Company has retained the services of Ernst & Young LLP to perform internal audit procedures on an outsource basis for the benefit of the Company's management and Audit Committee.

The Finance Department establishes accounting policies and procedures, measures and monitors financial risk, and prepares financial statements that fairly present the underlying transactions and events of the Company. The Compliance Department is both independent from business line management and has oversight responsibility for our broker-dealer activities. This group monitors trading limits using various procedures to oversee positions and risks.

The independent auditors, KPMG LLP, perform annual audits of the Company's financial statements in accordance with auditing standards generally accepted in the United States of America. The independent auditors openly discuss with the Audit Committee their views on the quality of the financial statements and related disclosures and the adequacy of the Company's internal accounting controls. KPMG LLP also performs quarterly reviews of interim financial statements.

Richard B. Handler
Chairman of the Board of Directors
and Chief Executive Officer

John C. Shaw, Jr.
Director, President and
Chief Operating Officer

Joseph A. Schenk
Executive Vice President and
Chief Financial Officer

38. **Corporate Directory**
Offices of Jefferies Group, Inc. and Subsidiaries:

Jefferies & Company, Inc. (JC)

Bonds Direct Securities LLC (BD)
Broadview International LLC (BV)*
Broadview International Ltd. (BVL)
Helfant Group, Inc. (HG)
Jefferies Asset Management, LLC (JAM)
Jefferies Asset Management Ltd., Zurich (JAMZ)
Jefferies Financial Products, LLC (JFP)
Jefferies International Ltd. (JIL)
Jefferies Investment Management Ltd. (JIM)
Jefferies (Japan) Ltd. (JL)
Jefferies/Quarterdeck, LLC.* (JQ)
Jefferies (Switzerland) Ltd. (JSL)
Liberty Execution Services, Inc. (LES)
Quarterdeck Investment Partners, LLC (QD)

Domestic

New York (Headquarters)
520 Madison Avenue
New York, New York 10022
(212) 284 2300 (JC)
(212) 284 2070 (BD)

1345 Avenue of the Americas
New York, New York 10105
(212) 707 6400 (BV)

30 Broad Street
New York, New York, 10004
(212) 425 7460 (HG)

Atlanta

3414 Peachtree Road, N.E.
Atlanta, Georgia 30326
(404) 264 5000 (JC)
(404) 264 5056 (BD)

Boston

One Post Office Square
Boston, Massachusetts
02109
(617) 342 7800 (JC)
(617) 342 7953 (BD)

1050 Winter Street
Waltham, Massachusetts
02451
(781) 890 5500 (BV)

Chicago

55 West Monroe Street
Chicago, Illinois 60603
(312) 750 4700 (JC)
(312) 750 4418 (BD)
(312) 750 4470 (JQ)

Dallas

13355 Noel Road
Dallas, Texas 75240
(972) 701 3000 (JC)

Houston

909 Fannin Street
Houston, Texas 77010
(713) 658 1100 (JC)

Jersey City (Operations Office)
Harborside Financial Center
34 Exchange Place
Jersey City, New Jersey 07311
(201) 200 1222 (JC)

Los Angeles

11100 Santa Monica Boulevard
Los Angeles, California 90025
(310) 445 1199 (JC)
(310) 575 5148 (BD)

11111 Santa Monica Boulevard
Los Angeles, California 90025
(310) 481 0070 (QD)

Nashville

2525 West End Avenue
Nashville, Tennessee 37203
(615) 963 8300 (JC)

New Orleans

650 Poydras Street
New Orleans, Louisiana 70130
(504) 681 5700 (JC)

Philadelphia

2000 Market Street
Philadelphia, Pennsylvania
19103
(215) 567 3600 (LES)

Richmond

3957 Westerre Parkway
Richmond, Virginia 23233
(804) 423 8200 (JC)

San Francisco

650 California Street
San Francisco, California
94108
(415) 229 1500 (JC)
(415) 229 1432 (BD)

Short Hills

51 JFK Parkway
Short Hills, New Jersey 07078
(973) 912 2900 (JC)

Silicon Valley

950 Tower Lane
Foster City, California 94404
(650) 378 4700 (BV)

Stamford

One Station Place
Stamford, Connecticut 06902
(203) 708 5800 (JC)
(203) 708 6500 (JAM) (JFP)

Washington, DC

1399 New York Avenue, NW
Washington, DC 20005
(202) 639 3980 (QD)

International

London
Bracken House
One Friday Street
London EC4M 9JA
United Kingdom
+44 20 7618 3500 (JIL)
+44 20 7618 3556 (JIM)
+44 20 7618 3671 (QD)

St. James's House
23 King Street
London SW1Y 6QY
United Kingdom
+44 20 7968 3700 (BVL)

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Asahi Seimei Hibiya, Bldg. 3F
1-5-1, Yuraku-cho
Chiyoda-ku, Tokyo 100-0006
Japan
+81 3 5251 6100 (JL)

Switzerland

Uraniastrasse 12
8023 Zurich
Switzerland
+411 227 1600 (JSL) (JAMZ)

Paris

8 rue Halevy
75009 Paris
France
+331 5343 6700 (JIL)

Corporate Counsel

Morgan, Lewis & Bockius LLP

Transfer Agent, Registrar

EquiServe Trust Company, N.A.

Independent Certified

Public Accountants
KPMG LLP

Form 10-K

Additional supporting detail to the financial statements is provided annually to the Securities and Exchange Commission on Form 10-K. Copies may be obtained without charge, upon request.

Common Stock

Jefferies Group, Inc.'s Common Stock is listed on the New York Stock Exchange under the symbol JEF.

Shareholder Inquiries

(203) 708 5975

Internet Address

<http://www.jefco.com>

*Became a division of Jefferies & Company, Inc. in 2004



Products & Services

Investment Banking

Equity and Equity-Linked Financing

IPOs
Follow-on Offerings
Direct Placements
Block Trades
PIPEs
Private Equity
Convertible Securities

Leveraged Finance

High Yield Capital Markets
Leveraged Bank Loan Arrangement
Asset-Based Bank Loan Arrangement
Private Debt Placements
Structured Finance

Mergers & Acquisitions

Exclusive Sale & Divestiture
Acquisitions
Merger Advisory
Tender Offers
Joint Ventures and Strategic Alliance
Takeover Defense

Recapitalization and Restructuring Advisory

Exchange Offers
Consent Solicitations
Distressed Capital Raising
Recapitalization
Restructuring Advice
Distressed M&A

Sales & Trading

Institutional Equities

Listed Block Trading
OTC Market Making
Research Sales
Portfolio Trading
International Equity Sales & Trading
Capital Markets
Domestic Sales & Trading
Risk Arbitrage Trading
Electronic Trading
NYSE Brokerage
Corporate Services

High Yield

Sales and Trading of High Yield Bonds
Distressed and Special Situations
Bank Debt Trading
Collateralized Bond Obligation

Convertibles

Traditional and Mandatory
Convertible Structures
Capital Markets/Origination
U.S. and International Proprietary Trading
Fund Management

Jefferies Financial Products

Commodities Indices
Commodities-Linked Financial Products

Research

US & International Equity Securities
Distressed Special Situations &
Post-reorganization Equity Securities
US & International High Yield Securities
US & International Convertible Securities
Industry Conferences
Company Management Meetings
Site Tours
Proprietary Channel Checks

Asset Management

High Yield
Distressed
Special Situations
Long/Short Equity
Long/Short Commodities*
Collateralized Debt Obligations
International Convertible Bond Funds
Convertible Securities Arbitrage
Long Only Strategies

Additional Services

Private Client Services
Correspondent Clearing
Securities Lending
Prime Brokerage
Bonds Direct

Industries/Areas of Focus

Aerospace, Defense & Federal IT
Apparel & Textile
Biotechnology
Consumer
Distribution
Energy
Financial Sponsors
Food Products & Restaurants
Gaming & Leisure
Healthcare
Home Building
General Industrial
Knowledge Services
Maritime/Shipping
Media & Entertainment
Printing & Packaging
Retail
Services
Special Situations
Technology & Information
Telecommunications
Theater
Venture Capitalists